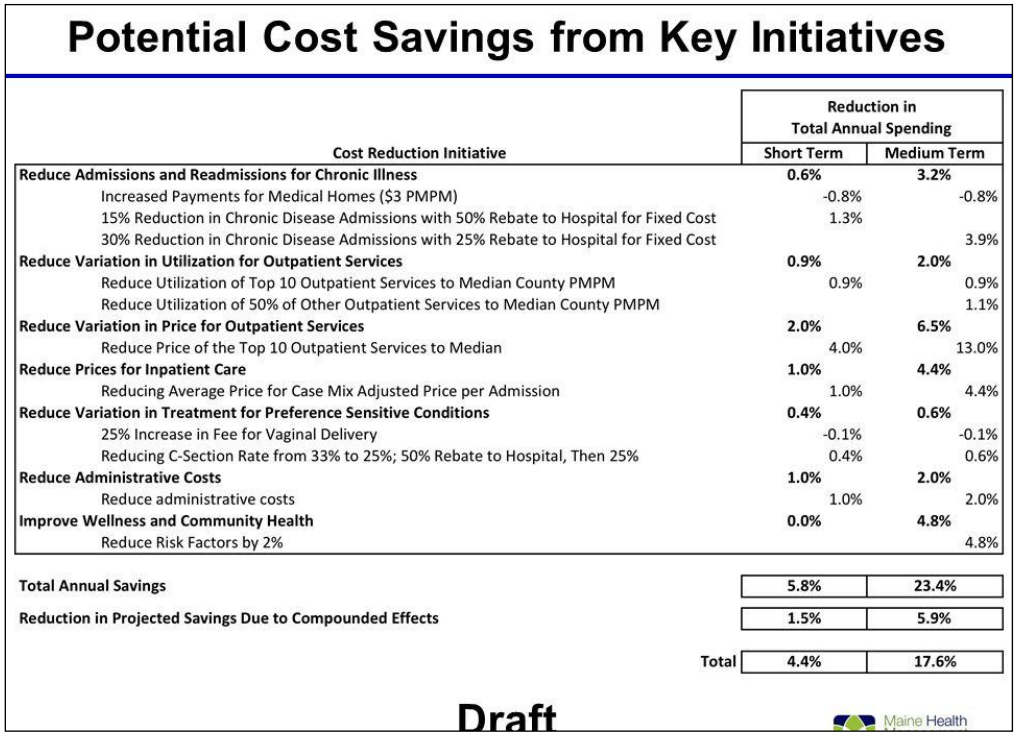
#1: STRUCTURE OF REGIONAL HEALTH COSTS

Brief Description: This analysis would show the total yearly cost per insured person, breaking it down into types of services received. It would provide an overall view of health spending patterns for the state. The analysis could potentially be broken down by health condition, by type of treatment/procedure, and/or by geographic area such as a county. This information could be used to engage broad stakeholder representation to identify specific areas where cost savings can be targeted and achieve a consensus around interventions and strategies, and then measure progress in making improvements. Using data from multiple payers, this analysis would enable a multi-payer view of the structure of health costs in the state, based on real transaction prices, reflecting overall spending patterns.

Example for illustrative purposes only: Below is a report from the Maine Health Management Coalition that reflects certain aspects of this approach.



Potential Cost Savings from Key Initiatives

Cost Reduction Initiative	Reduction in Total Annual Spending	
	Short Term	Medium Term
Reduce Admissions and Readmissions for Chronic Illness	**0.6%**	**3.2%**
Increased Payments for Medical Homes ($3 PMPM)	-0.8%	-0.8%
15% Reduction in Chronic Disease Admissions with 50% Rebate to Hospital for Fixed Cost	1.3%	
30% Reduction in Chronic Disease Admissions with 25% Rebate to Hospital for Fixed Cost		3.9%
Reduce Variation in Utilization for Outpatient Services	**0.9%**	**2.0%**
Reduce Utilization of Top 10 Outpatient Services to Median County PMPM	0.9%	0.9%
Reduce Utilization of 50% of Other Outpatient Services to Median County PMPM		1.1%
Reduce Variation in Price for Outpatient Services	**2.0%**	**6.5%**
Reduce Price of the Top 10 Outpatient Services to Median	4.0%	13.0%
Reduce Prices for Inpatient Care	**1.0%**	**4.4%**
Reducing Average Price for Case Mix Adjusted Price per Admission	1.0%	4.4%
Reduce Variation in Treatment for Preference Sensitive Conditions	**0.4%**	**0.6%**
25% Increase in Fee for Vaginal Delivery	-0.1%	-0.1%
Reducing C-Section Rate from 33% to 25%; 50% Rebate to Hospital, Then 25%	0.4%	0.6%
Reduce Administrative Costs	**1.0%**	**2.0%**
Reduce administrative costs	1.0%	2.0%
Improve Wellness and Community Health	**0.0%**	**4.8%**
Reduce Risk Factors by 2%		4.8%
Total Annual Savings	**5.8%**	**23.4%**
Reduction in Projected Savings Due to Compounded Effects	**1.5%**	**5.9%**
Total	**4.4%**	**17.6%**

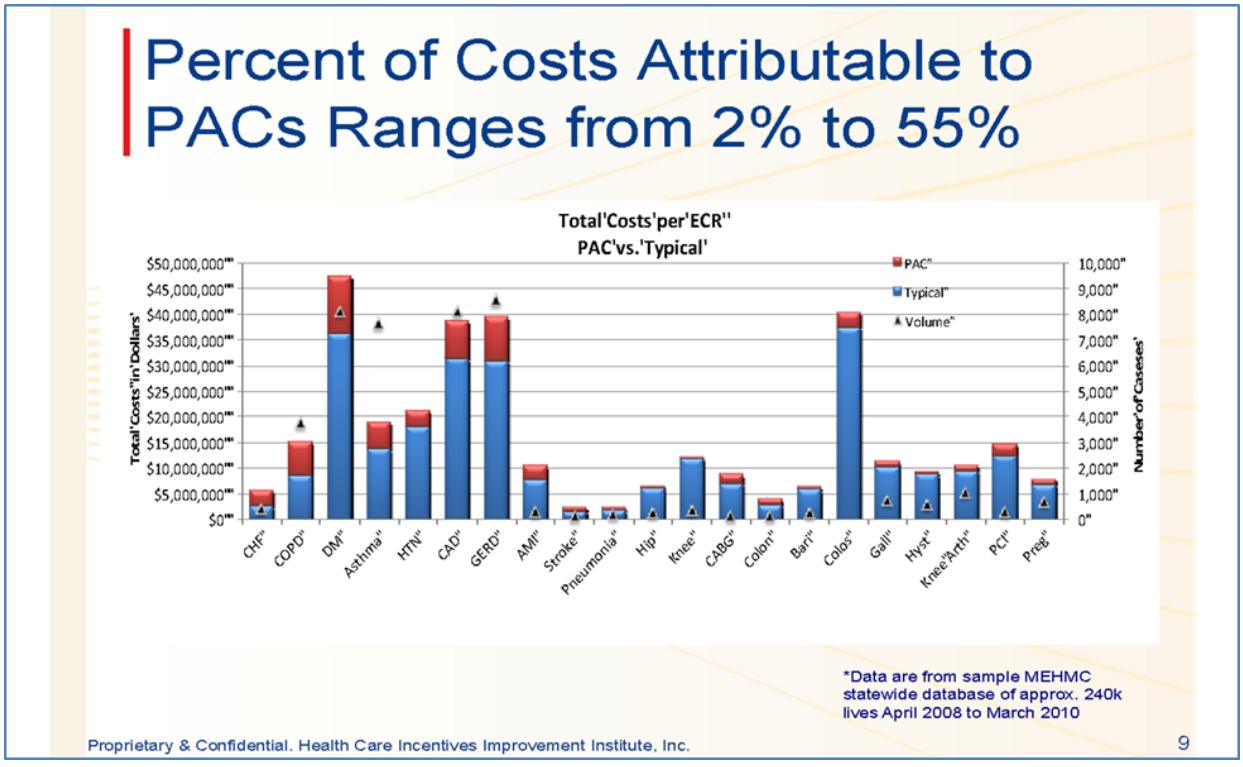
Draft

Maine Health

#2: COST OF POTENTIALLY AVOIDABLE SERVICES

Brief Description: This analysis would add a realistic price tag to quantify potentially avoidable services such as ambulatory-sensitive hospital admissions, hospital readmissions, complications and emergency department visits. The information would help to (1) inform purchasers and others about how potentially avoidable services are specifically contributing to the overall cost trend, (2) prioritize interventions to reduce potentially avoidable events, and (3) formulate a message suitable for public audiences about the cost burden associated with potentially avoidable services.

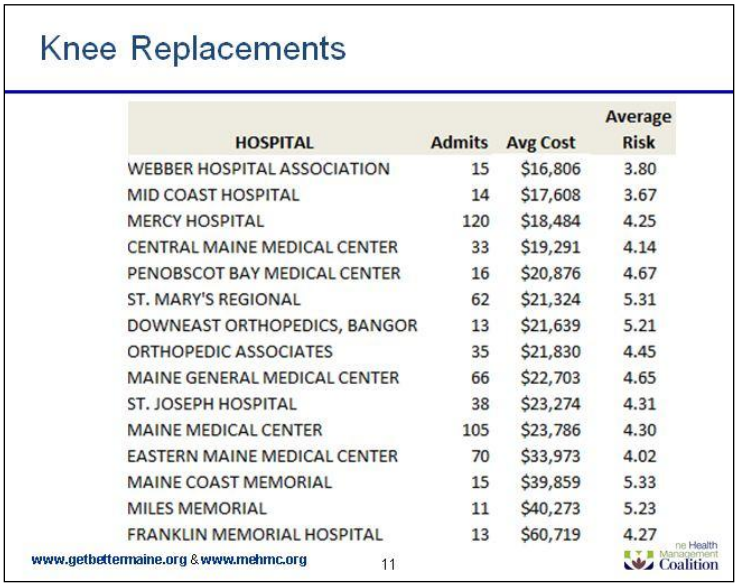
Example for illustrative purposes only: Below is an example of an analysis by the Health Care Incentives Improvement Institute (HCI3) that adopts certain aspects of this approach. In this example, the cost of potentially avoidable complications, or PACs, is compared to the cost of expected services for a variety of conditions and procedures. The magnitude and prevalence of PACs can signal where improvement efforts are most needed. Similar approaches apply to wasteful use of emergency department resources, certain hospital readmissions, and avoidable admissions for medical conditions that are manageable in the ambulatory setting.



#3: COST OF MULTI-PROVIDER TREATMENT BUNDLES

Brief Description: This analysis would tabulate and compare the cost for similar treatments and procedures, adjusting for how sick patients are. We would likely start with a dozen or so of high volume procedure types prevalent among the working age population. This information would reveal the extent of cost differences between delivery systems.

Example for illustrative purposes: Below is an example of an analysis by the Maine Health Management Coalition that adopts certain aspects of this approach. Under this option, we would select certain health care events (procedures, hospitalizations, episodes of care, etc.) and compare the total cost. The services delivered by all providers (medical doctors, surgeons, hospitals, pharmacies, labs, etc.) could be included in the total cost.



Knee Replacements

HOSPITAL	Admits	Avg Cost	Average Risk
WEBBER HOSPITAL ASSOCIATION	15	$16,806	3.80
MID COAST HOSPITAL	14	$17,608	3.67
MERCY HOSPITAL	120	$18,484	4.25
CENTRAL MAINE MEDICAL CENTER	33	$19,291	4.14
PENOBSCOT BAY MEDICAL CENTER	16	$20,876	4.67
ST. MARY'S REGIONAL	62	$21,324	5.31
DOWNEAST ORTHOPEDICS, BANGOR	13	$21,639	5.21
ORTHOPEDIC ASSOCIATES	35	$21,830	4.45
MAINE GENERAL MEDICAL CENTER	66	$22,703	4.65
ST. JOSEPH HOSPITAL	38	$23,274	4.31
MAINE MEDICAL CENTER	105	$23,786	4.30
EASTERN MAINE MEDICAL CENTER	70	$33,973	4.02
MAINE COAST MEMORIAL	15	$39,859	5.33
MILES MEMORIAL	11	$40,273	5.23
FRANKLIN MEMORIAL HOSPITAL	13	$60,719	4.27

#4: IDENTIFYING HIGH VALUE SYSTEMS

Brief Description: This analysis would be used to identify regional centers of excellence for particular types of care, such as (1) procedures (e.g., joint replacement or spine surgery), or (2) conditions (e.g., diabetes). Under this option, we could use price information (allowed amounts) along with resource use/utilization and quality data to help purchasers begin to identify delivery systems with higher-performing performance patterns for certain kinds of care that includes hospitalization. The analysis could also be used to identify medical groups that excel at managing the care of chronically ill patients over time in the outpatient setting (e.g., diabetic care over a one year period). This information would assist in promoting value-based purchasing and benefit plan design. The information could also be used to recognize high value systems and to promote regional excellence to keep health care local versus outsourcing to other communities. This cost and quality analysis would support purchasers in adopting centers of excellence and related value-based purchasing efforts through their health plans/TPAs.